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FISCAL IMPACT STATEMENT

LS 6129

BILL NUMBER: SB 67

NOTE PREPARED: Nov 8, 2002

BILL AMENDED:

SUBJECT: Sales Tax Collection and Call Centers.

FIRST AUTHOR: Sen. Jackman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that, for a person who contracts with a call center operator for a telephone service: (1) ownership or leasing by the person of property at the operator's Indiana premises; (2) activities performed by or on behalf of the person at the operator's Indiana premises; and (3) activities performed by the operator for the person in Indiana; do not create a duty by the person to register as a retail merchant or to collect or remit the state Sales or Use Tax.

The bill provides that property owned or leased by the person and located on the operator's premises is not considered, and does not create, a place of business maintained by the person in Indiana. The bill provides that for purposes of Sales and Use Tax collection and remittance, the call center operator is not considered to be an agent of the person.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues: This proposal is not expected to have a direct impact on the state's current Sales Tax revenues, nor will it remove the responsibility of Indiana consumers to pay the Use Tax on items purchased from out-of-state firms. However, the bill could cause the state to forgo potential Sales Tax remittances by the affected contracted call centers and out-of-state firms.

Background Information: Firms with a significant presence in Indiana are required to collect and remit the Sales Tax on taxable purchases made by Indiana residents. Firms located outside of the state are under no legal obligation to collect taxes owed by Indiana residents. Indiana residents who purchase goods from out-

of-state firms are responsible for paying Indiana's Use Tax.

The bill will allow out-of-state firms that do not have an otherwise significant presence in Indiana to establish a contractual relationship with a call center located in Indiana and remain excluded from the state's Sales Tax collection requirements. The proposal will not exempt firms that would otherwise have a significant presence in the state from collecting and remitting the Sales Tax.

Absent this proposal, if a firm located outside of Indiana were to contract with a call center located in Indiana, it is possible that the contractual relationship could lead to a ruling that the firm had a sufficient presence in Indiana to make it subject to the state's Sales Tax collection requirements.

It should be noted that the compliance rate by Indiana consumers is believed to be relatively low for the state's Use Tax on purchases made from out-of-state firms. In CY 2000, some 26,401 residents voluntarily submitted \$947,331 in Use Taxes owed on purchases made from out-of-state firms.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources: Department of State Revenue.

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